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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Create a  
Consistent Regulatory Framework for the  
Guidance, Planning, and Evaluation of  
Integrated Distributed Energy Resources.

Rulemaking 14-10-003  
Filed October 2, 2014

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)  
REPLY COMMENTS ON COMPETITIVE  
SOLICITATION FRAMEWORK WORKING GROUP  
FINAL REPORT**

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Dated: August 31, 2016

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**I. INTRODUCTION**

Pursuant to the February 26, 2016, *Joint Assigned Commissioner and Administrative Law Judge Ruling and Amended Scoping Memo* (February 26 Ruling), Pacific Gas and Electric Company (PG&E) provides the following reply comments on the Competitive Solicitation Framework Working Group (CSFWG) Final Report (Report). PG&E’s reply comments are organized in two sections: (1) reply comments in response to general comments on the Report; and (2) reply comments in response to specific comments on the elements included in the Report.

**II. RESPONSE TO GENERAL COMMENTS**

PG&E incorporates by reference and does not repeat its opening comments on general issues raised by the Final Report.<sup>1</sup> PG&E’s opening comments also respond to the general opening comments of other parties. However, PG&E particularly appreciates the comments from those parties which are focused on the practical implementation issues associated with competitive solicitation of cost-effective, reliable and safe electric distribution services from third-parties which are not public utilities and which may not have previously provided electric distribution services to public utilities.<sup>2</sup> Consistent with PG&E’s opening comments, these parties recognize that the competitive solicitation processes and related regulatory and cost-recovery issues identified in the Report are a “work in progress” requiring

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<sup>1</sup> *PG&E’s Opening Comments on Competitive Solicitation Framework Working Group Final Report*, August 22, 2016, pp. 1- 3.

<sup>2</sup> *See, e.g., Comments of SolarCity Corporation*, pp. 2, 6; *Comments of Joint DR Parties*, pp. 3- 4; *Comments of San Diego Gas & Electric Company (SDG&E)*, pp. 2- 3; *Southern California Edison Company’s (SCE’s) Comments*, p. 2.

further development and evaluation in this and other proceedings before any decision on general implementation.

At the same time, PG&E notes that most interested parties also recognize that various DER distribution services demonstration projects are pending in the companion DRP proceeding, and that certain attributes of the competitive solicitation processes discussed in the Report can be tested and demonstrated as part of those DRP projects.

These opening comments are consistent with PG&E's recommendation that the Commission approve the CSFWG Final Report and expressly make it available in the record of the DRP, IRP, LTPP, Energy Storage OIR and other related proceedings where the consensus and non-consensus elements in the Report can provide valuable input for continued piloting and development of a robust DER distribution services market.

### **III. RESPONSE TO SPECIFIC COMMENTS ON ELEMENTS IN THE REPORT**

#### **A. Rules and Oversight**

PG&E agrees with SCE and SDG&E that the regulatory process for approval of DER distribution services projects and procurements needs to be streamlined and aligned with the Commission's consideration of distribution expenditures in the DRP proceeding and General Rate Cases and DER benefits in resource procurement proceedings, such as the Long Term Procurement Plan proceedings.<sup>3</sup> However, "the devil is in the details" on how to streamline this process without adversely affecting the schedule of GRCs, LTPP proceedings, and the ability of interested parties to review and provide input on the cost-effectiveness, reliability and safety of DER distribution services. The demonstration projects in the DRP proceeding, along with the Phase 3 sub-track issues identified by the Assigned Commissioner in the DRP proceeding, offer the appropriate forums for further concrete, detailed "streamlining" proposals based on the conceptual proposals identified in the Report in this proceeding.

PG&E also agrees with the interested parties which recommend that the Commission not waive its long-standing general rule that potential bidders not be permitted to obtain market-sensitive data or

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<sup>3</sup> SCE's Comments, pp. 6- 7; Comments of SDG&E, pp. 2, 5- 6.

participate in review of bids in competitive solicitations for DER distribution services.<sup>4</sup> However, as stated in its opening comments, PG&E does agree that market participants can and should obtain greater access to more granular non-market sensitive distribution planning and load forecasting information that is otherwise available publicly or as part of the information provided to all potential bidders in RFOs.<sup>5</sup>

## **B. Pro Forma**

SolarCity Corporation (SolarCity) provided a number of comments on the specific protocols for competitive procurement, particularly regarding the development, requirements and management of “pro forma” contracts for the procurement of DER distribution services.<sup>6</sup> PG&E appreciates SolarCity’s thoughtful and constructive comments, because SolarCity is one of only a few actively participating parties which is seeking to develop and sell DER distribution services that meet the distribution capacity needs of individual utilities.

First, SolarCity urges that the procurement protocols and pro form contract provide for flexibility in technology and not lock-in distribution services providers to a specific technology or given portfolio.<sup>7</sup> PG&E agrees this makes general sense, but each competitive solicitation and resulting contract will take into account the impact of specific distribution technologies on valuation and evaluation of the proposed services, as well as resulting contract terms and conditions to ensure that the required services are delivered and the contract obligations are fully performed. PG&E agrees on flexibility of technology for purposes of bidding. However, in order to evaluate a DER services offer, PG&E will need information on the anticipated project providing the DER service. Similarly when PG&E negotiates with a shortlisted bidder, it will need the details of the anticipated project in order to adapt the pro forma contract to it, such as providing for the operational attributes and characteristics of the project to ensure that the seller’s project can meet PG&E’s stated needs. In addition, the type of technology or project will shape development and construction milestones as well as reliability and performance requirements in the contract and the consequences for a failure to perform.

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<sup>4</sup> SCE’s Comments, pp. 8- 9; Comments of SDG&E, p.5; *Comments of California Coalition of Utility Employees (CCUE)*, p. 3.

<sup>5</sup> Comments of CCUE, p. 3.

<sup>6</sup> Comments of SolarCity Corporation, pp. 3- 4.

<sup>7</sup> *Id.*, p. 3.

Second, SolarCity appears to request that DER distribution services providers not be required to meet development and performance milestones.<sup>8</sup> Subject to further clarification on what precisely SolarCity means by this recommendation, PG&E disagrees. As discussed throughout the CSFWG meetings, the requirements and expectations for these types of projects that are required to meet distribution system safety and reliability needs (i.e., making sure the lights do not go out) are likely to be at least as stringent as what utilities include in their current pro forma energy resource procurement contracts or even more stringent, given the impact of a given circuit on safety or reliability. For example, in PG&E's energy storage Requests for Offers, PG&E requires bidders to include development milestones – similar milestones and strict reliability and performance requirements are even more critical for PG&E safety and reliability distribution capacity projects because PG&E needs timely indication on whether or not a project will come online and be able to perform to avoid unsafe or unreliable conditions on the grid.

PG&E and SolarCity agree on the need for continuing information on whether a project is meeting the time deadlines for operation. However, if PG&E does not know what the project is, i.e. what type of technology, then it is less likely to be able to assess whether or not the developer is making progress to meeting the operational dates. Overall, PG&E will need to balance in its procurement of DER services (1) its need for specificity to ensure that the services are timely (operational when required) and that they actually perform in a safe and reliable manner when PG&E needs them during the delivery term with (2) the developer's need for flexibility to form a portfolio and/or acquire customers. Of course the level of flexibility needed will largely depend on the particular developer, its business model and the possible technologies.

The bottom line is that PG&E does not expect that SolarCity, as a potential new provider and seller of reliable and safe distribution services, will object to the development of operational and performance criteria PG&E needs by a date certain in order to substitute an otherwise cost-effective technology-eclectic “non-wires” DER project or portfolio for distribution capacity “wires” projects. PG&E looks forward to further discussions with SolarCity and other potential commercial DER

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<sup>8</sup> *Id.*, p. 4.

distribution services providers to strike the right balance between the commercial certainty required by PG&E and its customers and the technology neutrality and performance flexibility requested by SolarCity.

#### **C. Participation by Non-IOU Load Serving Entities (LSEs)**

PG&E agrees with Marin Clean Energy that Community Choice Aggregators (CCAs) and other LSEs should be permitted to participate and bid in competitive solicitations for DER distribution services under the same “level playing field” rules and protocols as other distribution service providers.<sup>9</sup> PG&E does not agree with interested party Janer’s recommendations that would restrict CCA and LSE participation, or would attempt to address issues relating to CCAs’ participation in other programs or solicitations that are outside the scope of this proceeding.<sup>10</sup>

#### **IV. CONCLUSION**

PG&E commends the collaboration and hard work of the CSFWG and Commission staff, and appreciates this opportunity to provide these reply comments on the CSFWG Final Report.

Respectfully submitted,

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<sup>9</sup> Opening Comments of Marin Clean Energy, pp. 2- 4.

<sup>10</sup> Comments of Karey Christ-Janer, pp. 4- 9.